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SUBJECT: SCENESETTER FOR A/S GORDON: STRATEGIC DIALOGUE IN
PRAGUE

Classified By: Acting Charge d'Affaires William Lucas, reasons 1.4 (b)
and (d).

¶1. (C) Assistant Secretary Gordon: Your visit to the Czech Republic for the Strategic Dialogue comes at an ideal time to build on Vice President Biden's October 23 visit, the November 6 High Level Defense Group (HLDG), and Under Secretary Tauscher's November 16 visit. While some within the Czech Republic were not pleased with President Obama's September decision to cancel plans for a missile defense (MD) radar site in the Czech Republic, the Czech government reacted constructively. Both sides are working to shape a vision for the future of our partnership and to build new avenues of cooperation. The Strategic Dialogue is an opportunity for you to flesh out details of what we would like to do together.

¶2. (C) The Czech government and other Czech Atlanticists are eager for a meaningful part they can play while we work with NATO to develop a new missile defense architecture, and as we broaden other aspects of our bilateral security cooperation, including in Afghanistan. Czech Atlanticists' concerns about Russia's expanding influence in the region, particularly in energy security, drive them to seek tangibly stronger ties with the U.S. The protracted period during which the U.S. has been without an ambassador in Prague has bolstered a misperception among some Czechs that the new Administration places less importance on the bilateral relationship. At the same time, they worry that America's role is diminishing in the minds of a younger generation of Czechs.

¶3. (C) Czech Atlanticists must navigate around others in Czech politics and the public who take a more ambivalent view of the U.S. This group, which includes many (but not all) within the center-left Social Democrats (CSSD), looks more toward Brussels, is more sympathetic to Moscow, and is skeptical about Czech involvement in Afghanistan. Czechs who take this approach welcome assurances that the U.S. will work multilaterally, including through NATO.

¶4. (SBU) The Czechs have expressed interest in expanding scientific and research and development cooperation. PM Fischer has stated that the Czechs would like this not just in the military sphere, but in a broader range of fields. The Czechs are appreciative of the upcoming establishment in Embassy Prague of the Office of Naval Research (ONR). The Czechs would also like to conclude the Research, Development, Testing and Evaluation (RDTE) Agreement; both sides are working to finalize legal details.

A Capable Interim Government

¶5. (C) After Prime Minister Mirek Topolánek's government fell in March, President Vaclav Klaus appointed an interim caretaker government to lead until early elections. The caretaker government, led by former Director of the Czech Statistical Office Jan Fischer, assumed leadership in May and

has a limited mandate until early elections, which were supposed to occur in the first half of October. A decision by the Constitutional Court scuttled the October elections, and a subsequent agreement by the dominant parties in Parliament to hold early elections in November fell apart. Now the parliamentary elections will most likely occur in May 2010. In the meantime, Fischer governs without his own parliamentary base, relying heavily on the agreement of the country's two leading parties, the center-left CSSD, led by Jiri Paroubek, and center-right Civic Democrats (ODS), led by ex-PM Topolánek.

16. (C) Despite its limited mandate, PM Fischer's government has proven effective and adept, and enjoys strong public support. Swift passage of the foreign military deployment bill and an economic austerity package proved Fischer's political acumen and bolstered his credibility with the public. His administration has proven capable of making tough decisions, although last minute amendments to the 2010 state budget by the CSSD, which will almost certainly increase 2009's record deficit, showed that Fischer is still politically beholden to the major parties.

17. (C) The Czech government has remained a steady supporter of U.S. and NATO priorities. Indeed, many key current and former Czech leaders would prefer to see more USG engagement in Central Europe, and expressed this in a widely circulated Open Letter to President Obama in July 2009. Defense Minister Martin Bartak remains fully committed to strengthening cooperation with the United States and supporting the effort in Afghanistan. However, many in the CSSD, including Paroubek, do not share Bartak's enthusiasm for the Afghan mission.

Economy -----

18. (SBU) The small, open, export-oriented Czech economy is now struggling with the effects of the global economic downturn. Although there are signs that the worst of the economic slowdown may be over, the economy is expected to contract by roughly four to five percent for all of 2009. While the IMF expects the Czech economy to grow by 1.3 percent in 2010, the Czech Ministry of Finance is forecasting growth of only 0.8 percent, partly due to recently passed tax increases designed to control the ballooning budget deficit. The Czech budget deficit was only 1.2 percent of GDP in 2008 but is expected to exceed 5 percent for the next several years, prompting significant cuts in discretionary spending, and postponing any chance for rapid adoption of the Euro. All ministries have taken significant budget cuts and the defense budget has shrunk to less than 1.4 percent of GDP, though the MoD is hopeful that its 2011 budget will be more generous.

Czech Cooperation in Afghanistan -----

19. (SBU) The Czechs have approximately 500 military and civilian officials in Afghanistan. The provincial reconstruction team (PRT) in Logar Province, launched in March 2008, is the flagship of Czech involvement. Based at FOB Shank in Pole-Alam, the Czech PRT grew in strength in early 2009 from about 210 to 275 and now includes four infantry platoons. Despite the security challenges (Czechs suffered three KIA in the first months of operation), the Czech PRT got off to a fast start and generally received high marks for its approach to reconstruction and partnerships with local government and tribal leaders. At the heart of the Czech PRT is its group of a dozen civilian experts who possess specific skills relevant to Logar Province (agriculture, aquifer management, public health, education, etc.). Several U.S. specialists (USAID and State Department 3161 employees) have joined the Logar PRT in the current rotation.

110. (C) The Czechs have just deployed a 100-man aviation

detachment with 3 Mi-17 helicopters to FOB Sharana in Paktika Province. The helicopters began to arrive in Afghanistan this month and will provide direct support to ISAF missions in country. In addition to an Operational Mentoring and Liaison Team (OMLT) providing helicopter training, the Czechs have decided to deploy a ground force OMLT in September of 2010. While the requirements for the OMLT are still being developed with NATO, the Czechs are moving forward with activating and training the required forces. The Czechs have requested USG assistance to equip and train the unit. The Czech special forces detachment, which had been deployed in its entirety for some time, departed Afghanistan in December 2009, but is scheduled to return in 2011.

Energy Security

¶11. (C) The Czechs are very concerned about Central and Eastern Europe's energy dependence on Russia. The Czechs themselves are dependent on Russia for 100 percent of their nuclear fuel, 70 percent of their natural gas and two-thirds of their oil. The Czechs experienced significant disruptions to deliveries of Russian oil in 2008, ostensibly for technical reasons, that began shortly after the signing of the U.S.-Czech Ballistic Missile Defense Agreement. In January 2009, Russia cut off all gas deliveries through Ukraine to Europe, including to the Czech Republic, due to a dispute with Ukraine.

¶12. (C) As a result, the Czechs are strong advocates within the EU for greater interconnectivity of internal EU gas and electricity networks and increased diversification of suppliers and routes. They are strong supporters of the Nabucco pipeline and hosted an EU-Southern Corridor Summit in May.

¶13. (C) They are also planning to significantly increase the production of domestic nuclear energy, and the semi-state Czech electricity company CEZ has released a tender for up to five new nuclear power stations for which Westinghouse is a leading contender. Your visit is another important opportunity to encourage the Czech government to support Westinghouse's bid as a way to cement closer U.S.-Czech ties and help the Czech Republic increase its energy security by further diversifying its energy sources and suppliers. A Westinghouse win could be worth as much as USD 27.5 billion and create 9,000 new U.S. jobs.

Relations with Russia

¶14. (C) The Czechs have a multi-faceted relationship with Russia which varies according to the issue, as well as the fora involved (whether NATO, the EU, or on a bilateral basis). As the July 16 open letter to President Obama from Central European leaders illustrates, many in this region retain deeply-rooted suspicions of Russian aims. Yet this is not a view shared by all Czechs, some of whom simply view Russia with a level of ambivalence and skepticism (with which they treat all superpowers).

¶15. (C) When it comes to security issues, almost all Czech politicians, except for the unrepentant Communists, continue to view NATO and (to a lesser extent) EU membership as their first line of defense and/or collective action. Many Czechs also pay close attention to the country's (and Europe's) reliance on Russian energy supplies. The conflict in Georgia in summer 2008, the gas crisis this past winter, and President Putin's recent comments on START have all sharpened Czech suspicions of Russia's intentions toward its neighbors. Nonetheless, there are modest (but growing) trade ties between Russia and the Czech Republic and all major Czech political parties are interested in what they see as the potential of Russian markets.

Eastern Partnership

¶16. (SBU) The Czechs championed the cause of advancing the EU's relationship with its Eastern Partners (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and held the EU's first ever Eastern Partnership Summit in May 2009. The Czechs have been keen to foster reform in this region and increase exposure to Western ideals. During the Czech EU Presidency last year, the EU committed 600M Euros (through 2013) to advance this partnership, focusing on accelerating the political association and economic integration of these partners, while also offering the possibility of visa liberalization. The EU, and the Czechs in particular, would like to see the U.S. become more involved in promoting these reform principles with Eastern Partners as well. We are scheduled to discuss our possible engagement as a "friend" of this partnership at an U.S.-EU meeting on January 25 in Brussels.

Western Balkans

¶17. (SBU) The Czech Republic shares our goals of strengthening stability and democracy in the Balkans and supports the region's integration with NATO and the EU. Indeed, the Balkans (with distinct goals for each of the individual nations in the region) were one of the Czech EU Presidency's top priorities. However, the Czechs were not able to accomplish as much as they had hoped, especially with respect to advancing EU enlargement issues, given the challenges within the Western Balkan countries themselves and opposition within the EU. The Czechs have very strong relations with most of the Balkan countries, although relations with Serbia suffered somewhat following Prague's recognition of Kosovo's independence in May 2008. It is also worth noting that Stefan Fule, the former Czech Ambassador to NATO and Minister for European Affairs, was just appointed EU Commissioner for European Enlargement. There are currently just over 400 Czech troops serving in KFOR in Kosovo.

Middle East

¶18. (SBU) The Czechs generally share much of our perspective on the Middle East, although they lack our depth of engagement or experience in the region. In November, the Czech Republic was one of 16 nations that voted with the U.S. and Israel against U.N. adoption of the Goldstone Report. The Czechs share our perspective on Iran, and Prague-based Radio Free Europe's Farsi broadcasts are an important source of uncensored news for the Iranian people. The Iranian government bitterly resents the broadcasts. For more than ten years the Iranians have refused to upgrade bilateral relations from the Charge level.

Lucas